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Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Irish Responses January 2016 Bank Lending Survey

Results Summary:

- Credit standards were unchanged on loans to enterprises during the fourth quarter of 2015 and are expected to remain unchanged during the first quarter of 2016. Overall demand for credit from enterprises increased in the fourth quarter.
- Credit standards on lending to households eased for both lending for house purchases and for consumer credit and other lending. Demand for loans for house purchases remained unchanged in the fourth quarter, with an increase in demand for consumer credit and other lending.

¹ The January 2016 Bank Lending Survey (BLS) was conducted between the 8th and 30th of December and examined changes in credit market conditions during the fourth quarter of 2015 as well as expected changes in credit standards and loan demand during the first quarter of 2016.

The euro area Bank Lending Survey is completed each quarter and examines credit market conditions with a distinction made between loans to enterprises and households and a further distinction made between loans to households for house-purchases as well as consumer credit and other lending. A detailed note examining the euro area responses can be found through the following link: [euro area results](#). Occasionally, the survey is supplemented with ad-hoc questions relating to topical issues e.g. on access to retail and wholesale funding sources. Five Irish banks participate in the survey and their responses are based on changes in credit market conditions throughout the euro area. Some banks do not answer certain questions due to their business model. Given the survey nature of the questionnaire, the responses are qualitative.

I. Enterprises

As detailed in Table 1, credit standards on loans to enterprises were unchanged by firm size, and by loan term, throughout 2015. The factors affecting credit standards were reported to be unchanged in the fourth quarter of 2015, as were the terms and conditions on new loans or credit lines to enterprises. The last reported change in credit standards was in the fourth quarter of 2014.

Table 1: Changes in Credit Standards on Loans to Enterprises

		Q1 2015	Q2 2015	Q3 2015	Q4 2015
Enterprises:	Overall	3.00	3.00	3.00	3.00
	Small/medium enterprises	3.00	3.00	3.00	3.00
	Large enterprises	3.00	3.00	3.00	3.00
	Short-term loans	3.00	3.00	3.00	3.00
	Long-term loans	3.00	3.00	3.00	3.00

Key: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.

The share of loan applications from enterprises that were completely rejected remained unchanged in the fourth quarter of 2015. Table 2 shows that demand for loans continued to increase overall and from small and medium-sized enterprises (SMEs) in the fourth quarter. This marks the eighth consecutive quarterly increase in demand for lending from Irish SMEs.

Fixed investment and the accumulation of working capital continue to be highlighted as the factors underpinning the greater demand for loans from enterprises (Figure 1). All other factors contributing to loan demand remained unchanged in the fourth quarter of 2016.

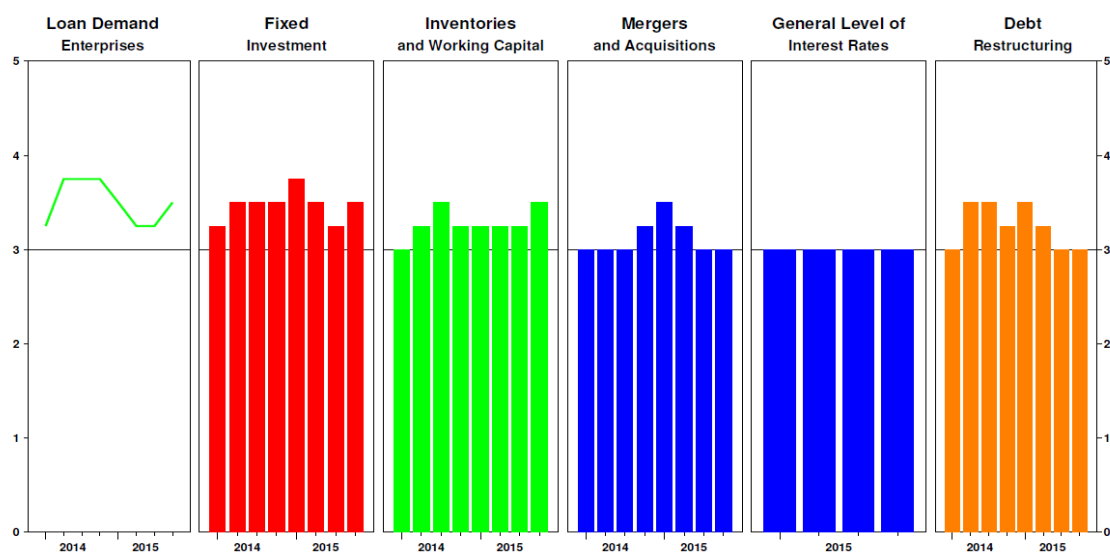
Table 2: Changes in Loan Demand from Enterprises

		Q1 2015	Q2 2015	Q3 2015	Q4 2015
Enterprises:	Overall	3.50	3.25	3.25	3.50
	Small/medium enterprises	3.50	3.25	3.25	3.50
	Large enterprises	3.25	3.25	3.00	3.00
	Short-term loans	3.50	3.25	3.25	3.50
	Long-term loans	3.75	3.50	3.25	3.50

Key: 1 = decreased considerably, 2 = decreased somewhat, 3 = remained basically unchanged, 4 = increased somewhat, 5 = increased considerably.

Credit standards on lending to enterprises are expected to remain unchanged in the first quarter of 2016 across all loan categories examined. Loan demand from Irish enterprises is expected to show the same profile: demand is expected to increase overall, from SMEs, for short-term loans and long-term loans, but large enterprise demand is expected to remain unchanged.

Figure 1: Changes in Loan Demand from Enterprises and Factors affecting Loan Demand.



Key: A response less than 3 indicates that a factor contributed to a reduction in demand while a response greater than 3 indicates that a factor contributed to increased demand.

II. Households

Credit standards on loans to households for house purchases were reported to have eased slightly during the fourth quarter of 2015. As Table 3 shows, the Irish banks have reported fluctuating credit standards on loans for house purchases throughout 2015. Credit standards on loans for consumer credit also eased slightly in the most recent survey.

Table 3: Changes in Credit Standards on Loans to Households

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Loans for House Purchases	2.40	3.20	2.60	3.20
Loans for Consumer Credit	3.20	3.00	3.00	3.20

Key: 1 = tightened considerably, 2 = tightened somewhat, 3 = remained basically unchanged, 4 = eased somewhat, 5 = eased considerably.

The improving general economic outlook had contributed to easing credit standards. Competition from other banks or from non-banks continues to have no impact on credit standards for house purchases. Terms and conditions on loans to households for house purchases were reported to have tightened in the fourth quarter. Loan-to-value ratios and margins on both average loans and riskier loans were reported to have tightened.

Table 4: Changes in Loan Demand from Households

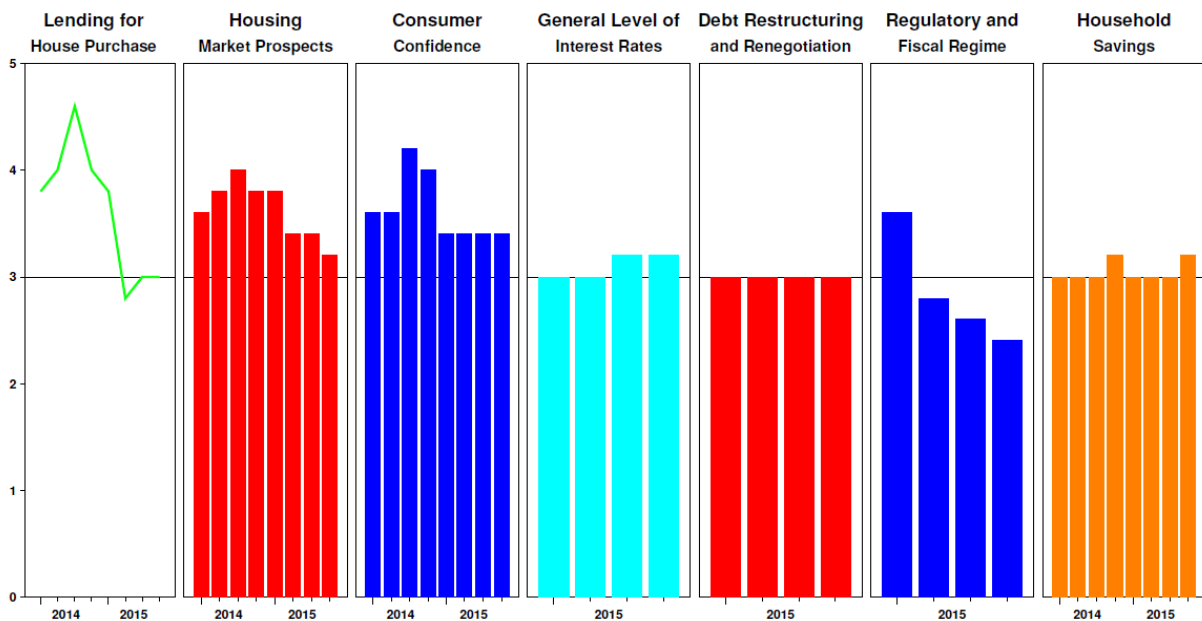
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Loans for House Purchases	3.80	2.80	3.00	3.00
Loans for Consumer Credit	3.40	3.60	3.60	3.40

Key: 1 = decreased considerably, 2 = decreased somewhat, 3 = remained basically unchanged, 4 = increased somewhat, 5 = increased considerably.

Table 4 shows that loan demand from households for house purchases remained unchanged in the fourth quarter of 2015, while demand for consumer credit continued to increase. Figure 2 shows some of the factors which were reported to have affected loan demand. The regulatory and fiscal regime of housing markets was reported to have contributed to a decrease in demand for mortgages. A number of other factors were reported to have acted to support loan demand for house purchases, including consumer confidence, prospects for the housing market, and the general level of interest rates.

The increase in demand for consumer credit was reported to be driven by spending on durable consumer goods and by higher levels of consumer confidence. The share of household loan applications completely rejected fell with respect to mortgage lending in the fourth quarter of 2015, while remaining unchanged in terms of consumer credit. Loan demand from households is expected to increase across both categories in the first quarter of 2016.

Figure 2: Change in Loan Demand from Households for House Purchases and Factors affecting Loan Demand



Key: A response less than 3 indicates that a factor contributed to a reduction in demand while a response greater than 3 indicates that a factor contributed to increased demand.

III. Ad-Hoc Questions

The January round of the BLS included six ad-hoc questions examining (i) access to retail and wholesale funding sources, (ii & iii) the current and expected future impact of CRR/CRD IV, and (iv - vi) participation in, and the impact of, the targeted longer-term refinancing operations (TLTROs).

According to responses received, access to retail and wholesale funding has remained largely unchanged over the last three months. With regard to wholesale funding, there was an easing

of market access for securitisation of home loans over the last three months and an expected further easing in the next three months.

With regard to questions on the impact of CRR/CRD IV, banks reported that their total assets and risk-weighted assets remained unchanged over the past six months and are expected to remain unchanged over the next six months. Banks reported that they expect to increase their capital funding over the next six months. Some tightening of credit standards on lending for house purchases was reported as a result of these regulatory changes.

The participation rate in the most recent TLTRO was 0%. 60% of banks were undecided on future participation while 40% reported that that they would not participate in the future. 40% of banks reported that they did not participate due to concerns about insufficient loan demand, while another 40% reported that they did not face funding constraints.